

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY LIMA IMMEDIATE

C O N F I D E N T I A L STATE 087906

EXDIS

E.O. 11652: GDS

TAGS: EFIN, PE

SUBJECT: PERU'S FINANCIAL CRISIS

REFERENCE: A) LIMA 2597; B) LIMA 2866

1. REPORTING ON MEETING IN LIMA BY INTERNATIONAL BANK
STEERING COMMITTEE REPRESENTATIVES WITH PRESIDENT MORALES
BERMUDEZ LAST WEEK (REF A), OFFICIAL OF NEW YORK BANK TOLD
ARA/AND THAT NEW ECONOMIC STABILIZATION PACKAGE DESCRIBED
BY MORALES BERMUDEZ WILL INCLUDE: A) REDUCTION OF GOVERN-
MENT BUDGETARY DEFICIT BY 30 BILLION SOLES, THROUGH A
FURTHER CUT-BACK IN EXPENDITURES (THREE QUARTERS IN
CAPITAL AREA) AMOUNTING TO 10 BILLION SOLES AND AN IN-
CREASE IN REVENUE COLLECTION AMOUNTING TO 20 BILLION. B)
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REDUCTION OF THE DEFICIT FOR PETROPERU FROM 33 BILLION
SOLES THROUGH AN INCREASE IN THE PRICE OF GASOLINE. C)
"SOMETHING BEING DONE ABOUT THE EXCHANGE RATE" -PERHAPS A
RETURN TO A CRAWLING PEG.

2. MORALES BERMUDEZ ALSO TOLD STEERING COMMITTEE THAT
FOLLOWING DISCUSSION BY GOP WITH VISITING IMF EXECUTIVE

DIRECTOR KAFKA, GOVERNMENT DECIDED TO SEEK A WAIVER FROM
FUND (REF B) OF THE TARGET FOR NET INTERNATIONAL RESERVES
- PRESUMABLY THE TARGET OF MINUS \$1.09 BILLION AS OF

MARCH 31, 1978. PERU REPORTEDLY WILL MISS THIS TARGET BY
SOME \$50 MILLION. THIS WOULD MEAN THAT RESERVE POSITION IS
AT MINUS \$1.14 BILLION OR BEYOND TARGET SET FOR THE NEXT
QUARTER END (MINUS \$1.13 BILLION, FOR JUNE 30, 1978). NY
BANK SOURCE SINCE HAS BEEN INFORMED BY IMF THAT GRANT OF
SUCH A WAIVER WOULD BE EXTREMELY UNLIKELY. IT HAS BEEN
GIVEN TO BUT A FEW COUNTRIES AND THEN ONLY WHEN A) A
SINGLE TARGET IN THE STANDBY AGREEMENT HAD BEEN MISSED
AND B) THERE WAS EVIDENCE THAT THE TARGET FOR THE FOLLOWING
QUARTER WOULD BE MET. PERU APPEARED TO QUALIFY ON
NEITHER SCORE.

3. MORALES BERMUDEZ REPORTEDLY SHOWED UNDERSTANDING OF
COMMERCIAL BANKS' INTEREST IN RESCHEDULING OF OFFICIAL
DEBT. WITH RESPECT TO THAT OWED SOCIALIST COUNTRIES,
PRESIDENT SAID A POSTPONEMENT OF PAYMENT OF PRINCIPAL
OVER 10 YEARS WAS BEING SOUGHT OF THE USSR FOR AMORTIZATION
DUE IN 1978, 1979 AND 1980. SIMILAR RESCHEDULING BEING
REQUESTED FROM HUNGARY OF TOTAL \$11 MILLION IN DEBT,
CZECHOSLOVAKIA \$9 MILLION, YUGOSLAVIA \$8 MILLION, AND
ROMANIA \$1 MILLION.

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4. MORALES BERMUDEZ CONFIRMED GOP INTENTION TO REQUEST A
PARIS CLUB RESCHEDULING. SOURCE ACKNOWLEDGED THAT MANY
OF SYNDICATE BANKS HAD BEEN URGING PERU TO SEEK RESCHEDU-
LING OF OFFICIAL DEBT, COINCIDENT WITH ROLLOVER BY
PRIVATE BANKS. SOME HOWEVER ARE NOW HAVING SECOND
THOUGHTS, OUT OF A CONCERN THAT OFFICIAL CREDITORS IN
PARIS CLUB MIGHT PROVIDE PERU WITH AN ACCOMMODATION ON
INTEREST PAYMENTS AS WELL AS ON PRINCIPAL DUE AND THEN
REQUIRE PERU TO GET SIMILAR ACCOMMODATION FROM BANKS.
LATTER OF COURSE WISH TO ROLLOVER ONLY PRINCIPAL PAYMENTS.

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